

TAB
A

State Dept. declassification instructions on file

Tab A

National Intelligence Estimates
Relating to the Economic Defense Program

Specifically Relevant

- NIE-22 Vulnerabilities of the Soviet Bloc to Economic Warfare
(completed)
- SE-5 Vulnerabilities of Communist China (completed)
- SE-20 Possible Consequences of Certain US Courses of Action in
Communist China and Korea (completed)
- SE-27 The Effect of Possible Western Measures to Bring Economic
Pressure to Bear on Communist China (in process)
- NIE-59 Relative Strategic Importance of East-West Trade to the
Soviet Orbit and to the Rest of the World (in process --
delayed by tardy Department of Commerce contribution)

Generally Relevant

- NIE-10 Communist China (completed)
- NIE-33 Soviet Control of the European Satellites and their
Economic and Military Contributions to Soviet Power
Through Mid-1953 (completed)
- NIE-40 Potential Military, Economic, and Scientific Accretions
to the USSR resulting from the Acquisition of eastern
Europe Before Mid-1952 (in process)
- NIE-56 Likelihood of the Loss of Important Economic Resources in
Selected Foreign Areas
- NIE-65 Soviet Capabilities for a General War Through Mid-1953
(in process)
- SE-16 The Strength and Capabilities of Soviet Bloc Forces to
Conduct Military Operations Against NATO (completed)

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Approved For Release 2000/09/08 : CIA-RDP75-00662R000300070003-2

Reports of the Economic Intelligence Committee
Relating to the Economic Defense Program

Specifically Relevant

EIC-R-1 Status and Effectiveness of Trade Controls Against Communist China (completed)

The Impact of Shipping Controls on Western Europe and the Soviet Bloc (in process in the Transportation Subcommittee)

Generally Relevant

Research Contributions to National Intelligence Estimates (see National Estimates)

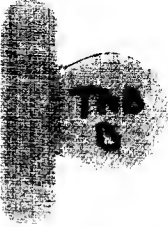
NIK's 40 and 56 -- Contributions have been delivered to ONE. Complete research studies to be published separately by EIC

NIK-59 (in process)

EIC-R- Economic Capabilities for War of the USSR and its Satellites (in process)

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Tab B

Chronology of CIA Participation in Economic Defense Activities

1. CIA participation in intelligence support of export controls dates from April 1948, shortly after licenses were first required for the export of commodities to the Soviet Bloc. In this early period CIA assisted inter-agency representatives in the drafting of the first embargo list. Following completion of this preliminary list, CIA was asked to chair a Technical Steering Committee, which was to make a more thorough study of commodities for the purpose of establishing strategic ratings. CIA accepted this responsibility, and the recommendations culminating the work of the Committee for the setting up of the revised security export control lists were accepted in September 1948 by Secretary Sawyer and ECA Administrator Hoffman.

2. CIA has continued to render intelligence support since this early period. A CIA representative has sat with all the principal Commerce Department interagency committees on export control. CIA representatives have assisted in the refinements of the US export control lists and additions thereto when intelligence has revealed Soviet attempts to procure highly strategic items through devious means. Shipments of strategic items indirectly to the Soviet Bloc have been stopped from time to time as a result of timely intelligence presented by CIA.

3. In the fall of 1950 CIA assisted in briefing and preparing documents for the US delegation to the first Tripartite and COCOM sessions on export controls:

[REDACTED] CIA has continued to render intelligence support for US negotiations for parallel action to control the export of strategic items to the Soviet Bloc.

4. When the NSC Special Committee on East-West Trade was set up in 1950 to consider the special problems in connection with the Cannon and Ken Amendments, CIA accepted the responsibility of full membership on the Committee and its drafting subcommittee. Assistance was provided in reviewing the trade of approximately 66 countries with the Soviet Bloc and in supplying specific intelligence on subjects of concern to the Committee.

5. Upon the establishment of a series of interagency committees to advise the Administrator of Mutual Defense Assistance Act, CIA was requested to participate in the work of committees and working groups in which the intelligence aspects of problems are considered. At present, CIA is represented on the Advisory Committee on Economic Defense, the Technical Staff and on working groups on Title II, Collective Measures, Free Ports and Transit Trade and Preclusive Buying. An additional working group on intelligence which is to be chaired by CIA is being formed.

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Contributions

1. Interagency committee work in which the contribution is for the most part presented orally in the course of the committee deliberations.

(a) Evaluation of the strategic importance to the Soviet Bloc of items under consideration for:

- (i) placement under security export control;
- (ii) upgrading on security lists; or
- (iii) retention on security lists.

(b) Advice in the formulation of security list definitions which identify the grades and types of items most strategic to the Soviet Bloc.

(c) Appraisal of the effect upon the Soviet war potential of specified levels of exports of particular items from the Free World to the Soviet Bloc.

(d) Review of export license applications including

- (i) detection of questionable end-uses of the strategic item requested;
- (ii) reports on trading activities of consignors or consignees outside the US who are suspected of trading with the Soviet Bloc directly or indirectly.

(e) Presentation of information indicating the need for effective controls over transit free-port trade and over shipping, including chartering and bunkering of vessels.

(f) Assistance in the drafting of committee reports to insure, so far as possible, that

- (i) the intelligence aspects of the problem are considered;
- (ii) the statements made are consistent with intelligence reports and estimates; and
- (iii) that unclassified reports and releases do not involve undue security risks.

2. Memoranda in response to requests from other agencies.

(a) Request by US Munitions Board for close cooperation in developing intelligence for use in export control support work. Illustrations of the types of data supplied to the Board are:

- (1) CIA/RR IM 356, "Strategic Value of Mining Machinery to the Soviet Orbit," 21 June 1951.

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SECURITY INFORMATION

(ii) CIA/RR IM 357, "Strategic Value of Construction and Road-Building Machinery to the Soviet Orbit," 21 June 1951.

(iii) Ad hoc memoranda on strategic importance of a large number of highly specialized types of equipment, including such items as: glass vacuum pumps; compressors; optical curve generators; coal; tar; pitch; coke, including coke flour; core drills other than chilled shot type, including those used for blast-hole drilling; wheel and tract-laying tractors, diesel or gasoline powered, 60 belt HP and over; bituminous pavers; middle-sized alloy steel ball and roller bearings; crystal diodes of a kind used on frequencies of 500 megacycles per second; contractors' off-the-road trucks, wagons and trailers; coal-cutters, all types; underground mine types of loading machines.

(b) Requests by OIT and the Export Policy Staff, Commerce Department, for intelligence material bearing on questions under discussion in working groups or that are not resolved in interagency committee discussions. Illustrative responses are ad hoc memoranda on:

- (i) exports of ball bearings from RIV (Italy) to Soviet Bloc.
- (ii) production of synthetic rubber in the Soviet Bloc.
- (iii) uses and weight of standard rails and narrow gauge rails in the USSR.

(c) Requests by Bureau of Economic Affairs and Economic Defense Staff, State Department for:

(i) Support data to be used in COCOM in negotiations for the establishment of quantitative controls over I/L II items. CIA contributed documentation on Soviet needs and availabilities for approximately half of the I/L II items, and the State Department for the other half. OIT supplied data on strategic uses of the items.

(ii) An intelligence study of the rubber position of the Soviet Bloc, including China, for use in: (a) the Title II Working Group (EDAC) and (b) State Department negotiations in London at the rubber control meeting with the British. CIA/RR MP-88 was prepared in response to this request.

(d) Requests by ECA (and now MSA) for a review of specific studies on East-West trade in various commodities including coal, grain, timber, potash, tin, tungsten, manganese, and a summary study of East-West trade. CIA comments on the latter were published as CIA/RR MP-79.

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3. Other CIA Contributions

(a) Collection, evaluation and dissemination to proper enforcement authorities in Department of Commerce of current intelligence regarding firms or individuals, primarily outside of the US, who are suspected of engaging in commercial activities contrary to the security interests of the US.

(b) Transmission to appropriate officials in the Department of State and ECA (now MSA) of spot intelligence relative to clandestine purchases of strategic items and excessive or unexplainable trade in strategic items, with the thought that delivery of such items to the Soviet Bloc might be prevented.

(c) Furnishing information to MSA, State and Munitions Board in response to inquiries from those agencies as to the security implications of specific exchanges of strategic raw materials and industrial equipment among friendly western countries, including exports from the US.

(d) Cooperation [REDACTED] in the evaluation of present trade controls and in estimating Soviet vulnerability to an extension of controls, including restrictions on shipping.

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Tab C

**Organization of CIA/RR Personnel
Concentrating on Economic Defense Intelligence**

1951 Organization		1952 Revised Organization		
Analysis Division (part)		Economic Warfare Division (entire)		
	Number Authorized		Number Authorized	Maximum Under Budget Limits
		Office of Chief	6	7
Economic Warfare Branch	13	Export Control Branch (ACEP support, EDAC support, Lists and Regs.)	20	11
Export Control Support Branch	13	Economic Measures Branch (Transportation Controls, Blacklisting, Preclu- sive Buying)	13	10
		Areas Branch	13	8
		Commodities Branch	16	8
	<hr/>		<hr/>	<hr/>
TOTAL	26	TOTAL	73	44

Statistical Support for Statements in Para. II E

Economic Warfare Division analysts 33
Strategic Division analysts exclusively on Economic Warfare 9

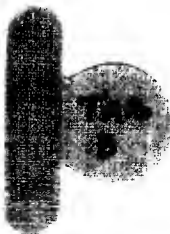
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which is 14% of the 287 analysts in the economic divisions of CRR. In addition, it can safely be said that at least 10% of the effort of all other analysts is in support of this activity; therefore not less than 24% of CIA/RR's total effort is contributed to the Economic Defense program.

By contrast the Bloc's total imports are about \$1,700,000,000 which is 1.33% of its gross national product of \$127,500,000,000.



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Tab E

Financial Intelligence Produced by the Office of Research and Reports
Relating to the Economic Defense Program

Specifically relevant

- (1) IP-258, Contribution to NIE-58: Relations between Chinese Communist Regime and the USSR. (Completed January 1952.)
- (2) Contribution to MP-57: Soviet Union and European Satellite Military Expenditures and Gross National Product -- 1949/1952. (Completed May 1952.)
- (3) IP-274: Trade and Finance in the Far East. (Completed April 1952.)
- (4) IP-255, which is our contribution to SE-20: The Effect on the Communists of Certain US Courses of Action. (Completed December 1951.)
- (5) Contribution to SIE-3 (SE-27): Embargo and Blockade Against Communist China. (Completed April 1952.)
- (6) IP-296: Summary of Soviet Delays in Fulfilling Obligations Under Trade Agreements. (Completed April 1952.)

Generally relevant*

- (1) Memorandum for D/A, Ken Amendment Committee Members on Israeli Trade in Strategic Materials with the Soviet Orbit. (Completed August 1951.)
- (2) Contribution to MP-70, for ODM on Soviet Bloc Purchases, Overt and Covert, of Non-ferrous Metals. (Completed November 1951.)
- (3) IP-225: Sources of Rubber for USSR and Satellites, July 1951 to July 1952. (Completed September 1951.)
- (4) Contribution to ORR-6-51 for NIE-33: European Satellite Power Complex. (Completed July 1951.)
- (5) Contribution to IP-214 for NIE-32: The Effect of Operations on Korea on the Chinese Communist Regime. (Completed May 1951.)
- (6) Contribution to IP-213: Chinese Communist Seaborne Imports, August 1950 to January 1951, prepared at the request of ONE, published as a division memorandum. (Completed May 1951.)
- (7) Participation in EIC survey of intelligence research in the field of international trade and finance. (In process.)

*Many of these studies are listed as generally relevant because they relate to intelligence on trade from which intelligence on finance can be derived.

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SECURITY INFORMATION

DEPARTMENT OF STATE

FROM: London

Control: 3323

Rec'd April 7, 1952

3:23 p.m.

TO: Secretary of State

NO: 4465, April 7, 3 p.m.

1. CIA RR MP-88

MP-88 of April 2, 1952 says Soviet synthetic rubber production will be 197,000 tons for year beginning July 1, 1952. NIK-40 of Nov 20, 1951 estimates 1951 production at 172,000 tons. Soviet affairs, OIR Report No. 4800.27 of March 1951 says production was between 220,000 tons and 270,000 tons in 1950. Can anything be done to reconcile these statements?

2. CIA paper contains footnote on P. 1, stating that USSR had accumulated surplus of natural rubber of 150,000 tons by end 1949. Source cited [REDACTED]

[REDACTED] says USSR had accumulated unconsumed stocks of rubber above normal of nearly 150,000 tons, and that if this is all natural rubber it would be equivalent to about two years import requirements. Intelligence studies which do not (rpt not) cite sources correctly can be rather misleading.

3. Intelligence data furnished Armstrong also inadequate in other respects and almost useless in any negot. Is it better to admit we know little and have deduced less about Soviet rubber position?

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SECURITY INFORMATION


11 April 1952

MEMORANDUM FOR: Special Assistant, Intelligence
Department of State

ATTENTION: Director
Office of Libraries and Intelligence Acquisition

SUBJECT: State cable from London No. 4465, dated 7 April 1952

1. With reference to paragraph 1 in the above cable, the CIA estimate (MP-88) of USSR synthetic rubber production of 197,000 tons in 1952-53 agrees substantially with the estimate contained in the State contribution to the NIE-40 Working Group, dated 20 November 1951. This estimate was agreed to on the working level by ORR analysts. The slight difference is due to the use of the mid-1953 rate of production instead of an interpolated average for the year. The estimate of 172,000 tons quoted in the cable as the NIE-40 estimate is for the year 1951 and, therefore, is not the estimated production for the year 1952-53. Moreover, MP-88 specifically mentioned an increase in synthetic capacity of approximately 30,000 tons during 1951. The estimate by OIR of 220,000 to 270,000 tons for 1950 (Soviet Areas, OIR Report No. 4600.27), referred to in the cable, is dated March 1951 and was thought by ORR to have been superseded by subsequent estimates. The coordinated estimates prepared in connection with NIE-40 are dated 20 November 1951.



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3. With reference to paragraph 3, CIA is not in position to comment on any intelligence furnished Mr. Armstrong by other agencies which it has not had the opportunity to review. As applied to this Office's MP-88, the paragraph seems to me unwarranted.

JS/

ROBERT AMORY, JR.
Assistant Director
Research and Reports

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Tab F



ORR Reply, 10 May 1952

OUR CURRENT VIEW IS THAT DURING 1 JULY 52 TO 1 JULY 53, USOR WILL PRODUCE 197,000 L.T. SYNTHETIC RUBBER OF ALL TYPES.

WILL CONSUME DURING SAME PERIOD: 197,000 L.T. SYNTHETIC RUBBER; 54,000 L.T. RECLAIM RUBBER; 68,000 L.T. NATURAL RUBBER.

USOR STOCKPILE ON 1 JULY 53 WILL BE 226,000 L.T., WHICH IS THEIR STOCKPILE PRIOR TO 1 JULY 52, PLUS A FURTHER ACCUMULATION OF 26,000 L.T. DURING PERIOD MENTIONED (JULY 52-JULY 53) PROVIDING THEIR IMPORTS ARE ALLOWED TO CONTINUE AT PREVIOUS RATE.

ABOVE FIGURES ARE BASED ON THEIR USE OF 20 PERCENT NATURAL RUBBER IN THEIR TIRE COMPOUNDING.

ALSO, THE ABOVE FIGURES ARE DERIVED FROM INDIVIDUAL PLANT PRODUCTION RECORDS AND AN ANALYSIS OF THEIR REQUIREMENTS, USING KNOWN AMERICAN PRODUCTION METHODS AS A GUIDE.

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